



DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

[Docket No. AD21-10-000]

Modernizing Electricity Market Design; Notice Inviting Post-Technical Conference Comments

On May 25, 2021, the Federal Energy Regulatory Commission (Commission) convened a technical conference to discuss resource adequacy, state policies and ISO-New England Inc.'s markets.

All interested persons are invited to file post-technical conference comments to address issues raised during the technical conference and identified in the Supplemental Notice of Technical Conference issued May 17, 2021. For reference, the questions included in the Supplemental Notice are included below. Commenters need not answer all of the questions but are encouraged to organize responses using the numbering and order in the below questions. Commenters are also invited to reference material previously filed in this docket but are encouraged to avoid repetition or replication of previous material. Comments are due 45 days from the date of this Notice.

Comments may be filed electronically via the Internet.¹ Instructions are available on the Commission's website <http://www.ferc.gov/docs-filing/efiling.asp>. For assistance, please contact FERC Online Support at FERCOnlineSupport@ferc.gov or toll free at 1-866-208-3676, or for TTY, (202) 502-8659.

¹ See 18 CFR 385.2001(a)(1)(iii) (2020).

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Debbie-Anne A. Reese,

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Post-Technical Conference Questions for Comment

1. Relationship between State Policies and ISO New England Inc.'s Markets

- a. In October 2020, the New England States Committee on Electricity (NESCOE) released a vision statement that called for ISO-NE to provide an appropriate level of state involvement in wholesale market design and implementation.² Please provide an update on the discussions in the region since the vision statement was released.
- b. Please explain how states are currently involved in market design and implementation processes. How are states' perspectives considered in these processes? How is information shared with states related to these processes? What is the appropriate role for New England states with respect to ISO-NE capacity market reforms?
- c. New England Power Pool (NEPOOL), in coordination with NESCOE and ISO-NE representatives, launched the "New England's Future Grid Initiative" in two parallel processes to (1) define and assess the future state of the region's power system; and (2) explore and evaluate potential market frameworks that could be pursued to accommodate state policies focused

² NESCOE, New England States' Vision for a Clean, Affordable, and Reliable 21st Century Regional Electric Grid, <http://nescoe.com/resource-center/vision-stmt-oct2020/>.

on decarbonization.³ What is the current status of each of these stakeholder processes?

- d. Many New England states have established long-term policy goals and/or statutory requirements to reduce greenhouse gas emissions and increase clean energy generation. Consistent with these goals, several states have instituted programs to promote the development of renewable energy resources and to retain existing zero-emitting generation resources. How do the current ISO-NE market rules affect implementation of existing or proposed state policies? If states have differing policy goals, how should these be accommodated in the ISO-NE capacity market? How do one state's actions to shape the resource mix affect other states? Should such effects be addressed, and if so, how?
- e. Is ISO-NE's existing capacity market design, including the Competitive Auctions with Sponsored Policy Resources (CASPR) framework effective in ensuring resource adequacy at just and reasonable rates? Why or why not? Is it compatible with achieving New England states' policies? Given the small quantity of capacity cleared through the substitution auction, is CASPR achieving its goals? Is CASPR's current design durable? Why, or

³ ISO-NE, New England's Future Grid Initiative Key Project, <https://www.iso-ne.com/committees/key-projects/new-englands-future-grid-initiative-key-project/>. See also Dr. Frank Felder, *NEPOOL's Pathways to the Future Grid Process Project Report* n.1 (Jan. 2021), https://nepool.com/wp-content/uploads/2021/01/NPC_20210107_Felder_Report_on_Pathways_rev1.pdf.

why not?

2. Short-Term Options and Complementary Potential Market Changes to Accommodate State Policies in ISO-NE

- a. Should ISO-NE's capacity market design, including the CASPR framework, change to better accommodate state policies? If so, how?
- b. As the resource mix in ISO-NE continues to evolve, what new challenges are presented? Are the needs of the evolving resource mix better addressed in the capacity market or the energy and ancillary services markets, or are changes needed in both? Please explain.
- c. At the March 23, 2021 technical conference,⁴ panelists suggested that both short-term and long-term reforms to aspects of ISO-NE's capacity, energy, and ancillary services markets could be needed if CASPR and the Offer Review Trigger Prices (ORTPs) are modified or eliminated.
 - i. What, if any, are the short-term and long-term challenges of removing CASPR and the ORTPs from ISO-NE's capacity market?

What market design changes, if any, would be necessary to preserve

⁴ See *Supplemental Notice of Technical Conference on Resource Adequacy in the Evolving Electricity Sector*, Docket No. AD21-10-000 (March 16, 2021), <https://www.ferc.gov/sites/default/files/2021-03/AD21-10-000supp.pdf>.

the capacity market's ability to ensure resource adequacy? If changes are necessary, how quickly would ISO-NE need to implement short-term changes following the removal of CASPR and ORTP?

- ii. What other specific modifications to ISO-NE's capacity market rules may be necessary? For example, should capacity accreditation rules for various resource types, the shape of the capacity market demand curve, the net cost of new entry estimates, or mechanisms to ensure fuel security, among others, be revised and if so why, and how? Approximately how long would it take ISO-NE and stakeholders to develop and implement each additional needed reform? Assuming any such modifications are necessary, which should be prioritized in the short-term, and which should be pursued in the long-term?
- iii. Some panelists expressed concerns that ORTPs are necessary to prevent cost shifts between New England states. Please explain whether and if so, how these cost shifts would occur if CASPR and the ORTPs were eliminated. Is there a way to mitigate such an effect? Please explain. Additionally, please discuss the extent to which certain impacts are unavoidable in a regional market where participating resources are located in multiple states.

3. Long-Term Options and Centralized Procurement of Clean Energy

- a. What benefits would a centralized clean procurement mechanism in ISO-NE provide to the ISO-NE states and the ISO-NE markets? What would be the goals of such approaches and what are important design considerations in developing any potential market mechanism? What are the downsides of pursuing such constructs? What concerns regarding potential undue discrimination may arise from implementing such new market constructs, if any?
- b. What are potential challenges to developing the new market constructs discussed in this panel (e.g., would interstate compacts be required)? How could those challenges be overcome? For example, New England states have policies that support different types of resources (e.g., offshore wind). Could a standard product be developed and centrally procured in ISO-NE-administered markets to meet these diverse state policy goals? Given the differences in state policies, is it possible to define products that resources could provide (e.g., zero-emission generation) and incorporate the procurement of those products into Commission-jurisdictional markets?
- c. Stakeholder discussions to date have focused on the Forward Clean Energy Market and Integrated Clean Capacity Market as potential frameworks. What are the key design features of these proposals? What are the advantages and disadvantages of these approaches?

- d. Given that many state policy goals target electricity generation (e.g., Renewable Portfolio Standards that target a percentage of electric loads), would it be more effective to develop such a construct within the energy and ancillary services markets?

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